

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

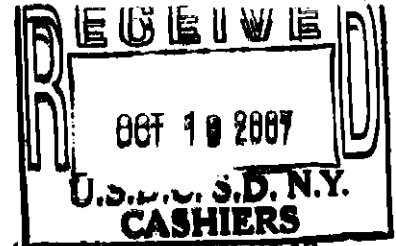
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CHILEWICH SULTAN LLC,

Plaintiff,

v.

PACIFIC MERCHANTS TRADING
COMPANY and MACFAB HOME, INC.,

Defendants.
-----X



Civil Action No. 07 CIV 8549
(GBD/GWG)

**FIRST AMENDED
COMPLAINT**

(JURY DEMANDED)

ECF Case

Plaintiff Chilewich Sultan LLC, by its attorneys, for its First Amended Complaint against defendants Pacific Merchants Trading Company and MacFab Home, Inc. alleges as follows:

1. The purpose of this lawsuit is to seek damages and injunctive relief to restrain defendants Pacific Merchants Trading Company ("Pacific Merchants") and MacFab Home, Inc. ("Mac Fab") (collectively, "Defendants") from "knocking off" Plaintiff Chilewich Sultan LLC's ("Chilewich") product designs, by selling place mats which are essentially identical to the designs of Chilewich, protected both by copyright and by trade dress, to Chilewich's significant detriment. Unless Defendants are enjoined from further copying and misappropriation of Chilewich's goodwill and its products, Chilewich will suffer substantial ongoing and irreparable harm.

JURISDICTION AND VENUE

2. This complaint alleges causes of action for copyright and trade dress infringement under the Copyright and Trademark Laws of the United States, 17 U.S.C. §101 et seq. and 15 U.S.C. §1051 et seq.

3. This Court has subject matter jurisdiction in this action pursuant to 28 U.S.C. §§1331 and 1332(c)(1).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b)-(d) and 1400(a).

THE PARTIES

5. Chilewich is a limited liability corporation organized and existing under the laws of the State of New York. Chilewich's headquarters are located at 44 East 32nd Street in New York, New York.

6. Chilewich is a leading designer of original household products of modern design, including specifically place mats, floor coverings, bags and wall coverings.

7. Upon information and belief, defendant Pacific Merchants Trading Company is a California corporation with its headquarters located at 149 S. Barrington Road, #507, Los Angeles, California 90049.

8. Upon information and belief, Pacific Merchants is a distributor, wholesaler and retailer of home furnishings and table wear products.

9. Upon information and belief, defendant MacFab Home, Inc. is a Canadian corporation organized under the laws of Ontario with its headquarters located at 109 Niagara Street, Unit R1 Box 78, Toronto, Canada M5V1C3.

10. Upon information and belief, Mac Fab is a manufacturer and wholesaler of fabrics and textiles. Upon information and belief, Mac Fab supplies to defendant Pacific Merchants the infringing products at issue in this action.

11. Upon information and belief, Pacific Merchants sells its house wear and table wear products on a nationwide basis, including to customers that are located in

this jurisdiction. Pacific Merchants and Mac Fab have displayed their infringing products at several major trade shows in New York, New York, including, the New York International Gift Fair held in New York City in or about August 2007.

FACTS COMMON TO ALL COUNTS

12. Chilewich, founded in 1997, sells unique and original home furnishings and related products that are designed by its founder, Sandra Chilewich, with the help of her design staff. Ms. Chilewich has been a commercial artist and designer for all of her life. In the late 1970's, as a student with artistic aspirations, she founded a company selling hosiery. The company, named Moskal & Chilewich, Inc., sold original hosiery designs that she and her partner created under the brand name Hue ("Hue"). When the business was sold to Leslie Fay in 1992, Hue was a successful company that was credited with revolutionizing the leg wear market through the use of innovative knitting, pattern and coloration, and applying same to otherwise standard socks and tights. At the time Hue was sold, the business had sales grossing over \$36 million, and Hue is still a thriving brand in the hosiery world today.

13. In the approximately ten years that Chilewich has been in business, since its opening by Ms. Chilewich, it has become famous and gained widespread renown for selling unique products made from woven vinyl, including specifically table top products (place mats, coasters and runners), floor mats and other floor coverings, wall coverings and hand bags. Copies of selected pages from the Chilewich 2007 catalog are attached hereto as Exhibit A.

14. Chilewich has won many awards recognizing the original and unique design of its products including a Best New Design Award at the 1998 New York

International Gift Fair, an award in 1999 from the Industrial Designers of America, and an ICFF Award at the 2001 International Contemporary Furniture Fair in New York. Chilewich is currently being honored by the Museum of Modern Art (MoMA) in New York City for marketing innovative products for ten years.

15. Chilewich's reputation for designing and marketing unique home furnishings is well known in the design marketplace and among consumers interested in well-designed and attractive contemporary products. In recent years, profiles of Chilewich have appeared in publications such as *The New York Times Magazine*, *The Washington Post*, *Crain's New York Business* and *Fortune Small Business*, as well as leading trade publications such as *HFN*, *Matter* and *Hospitality Design*.

16. Chilewich is particularly well known for its attractive and contemporary table top products, especially its place mats. For example, a profile of Chilewich in *The New York Times Magazine* that was published on July 31, 2005, annexed hereto as Exhibit B, stated:

"In the four years since their debut, Chilewich's mats have altered the way style-conscious New York restaurants think about the table top."

Chilewich's Engineered Squares and Basket Weave Designs

17. One of Chilewich's most popular designs is a design identified as "Engineered Squares" (hereinafter "ES Design"). This design has been used by Chilewich exclusively for place mats. A photograph of a place mat with the ES Design is annexed hereto as Exhibit C.

18. The "look" of the ES Design is characterized by a series of horizontal and vertical rows (or bands) of color which intersect each other at regular intervals. A

rectangular shape, in the form of a square, is located in the center of each intersect. Each rectangular shape appears in the opposite weave structure as the intersect, i.e., the ground and the rectangular shape are a reverse weave of one another. This "reversal" also appears on the "back" of the place mat, so that the weave of the ground on the back of the place mat is the same as the weave of the rectangular shape on the "front" of the place mat, and vice versa.

19. One of Chilewich's most popular designs is a design identified as Basket Weave (hereinafter "Basket Weave Design"). This design has been used by Chilewich for table top products, including place mats and coasters, as well as for flooring products, including floor mats, floor tile and floor coverings. This design is considered to be Chilewich's "signature" design. A photograph of a place mat with the Basket Weave Design is annexed hereto as Exhibit D.

20. The Basket Weave Design consists of a 4 thread by 4 thread (or smaller) woven vinyl in contemporary colors. It is available in a continually expanding range of colors including aluminum, bark, black, caramel, carbon, chestnut, denim, gold, ice, latte, oyster, titanium, wheat and white.

21. Chilewich's Basket Weave Design has been the subject of extensive and favorable editorial comment. Examples of editorial comment showing the Basket Weave Design include *The New York Times* "Best of the Season", November 21, 2001; *New York Times House and Home*, June 21, 2001; *Time Out New York*, May 16-23, 2002; *Home Magazine*, May 2003; *Bon Vivant*, March 2001; *Decorating*, November/December 2001; *Wedding Channel.com*, Spring 2005; *This Old House*, Spring 2001 and May 2002; *Child*, September 2001; *Country Home*, June 2002;

Interior Design, May 31, 2003; *SRQ Magazine*, November 1, 2006; *LBD*, September 2000; *HFN*, August 27, 2001; *The World of Interiors*, September 2001; *Azure*, March/April 2002; *Architecture*, August 2001 and May/June 2006. Copies of a representative sample of these editorial comments are annexed hereto as Exhibit E.

22. Chilewich's place mats with the Basket Weave Design have been particularly popular for "upscale" restaurants and have been used in such restaurants through out the country. Restaurants that have used Basket Weave place mats include the Terrace 5 Café of the Museum of Modern Art in New York City, BLT in New York City, Dos Caminos in New York City, the Grand Hyatt and Jean Georges in New York City, W in San Diego, China Grill in Chicago, the Hyatt Regency in Dallas-Fort Worth, and the Four Seasons hotel in Los Angeles, California. Photographs showing a representative sample of these establishments using Chilewich's Basket Weave Design place mats are annexed hereto as Exhibit F. These place mats typically include a "Chilewich" label. Hundreds of thousands of restaurant patrons have seen Chilewich's Basket Weave Design place mats at these establishments.

23. Chilewich's Basket Weave Design and ES Design products have been sold and are being sold to over 1000 retailers throughout the United States and in 14 foreign countries. The U.S. retailers include the MoMA design store in New York City, the nationwide catalogs and stores of Design Within Reach, Barneys and Bergdorf Goodman. Products with these designs are also being sold in the following large and well known department stores: Macys, Bloomingdales, Crate and Barrel, Neiman Marcus and Sur la table. In addition, Chilewich sells Basket Weave Designs and ES

Design products internationally at both specialty stores and department stores, including the Bon Marche and Le Printemps in Paris, the Conran shops in London and Paris, Selfridges and Harvey Nickels in London.

24. Chilewich's retail customers have promoted its products with the Basket Weave Design in catalogues and over the internet. Annexed hereto as Exhibit G are printouts of the internet websites of Crate & Barrel, Design Within Reach, MoMA, Macy's, Bloomingdale's, Sur la table, Mod Decor, Vivi, Grounded, Silver Impressions , Velocity, Lumens, Artafax and Unica Home showing these products.

25. Chilewich's Basket Weave Design and ES Design products, including place mats specifically, are always featured at the Chilewich booth at the many trade shows in which Chilewich participates. The following is a list of the U.S. and International trade shows at which Chilewich has participated in the last few years:

U.S.

HD: HD2007 Expo 7 Las Vegas, Nevada

Dallas: International Gift & Home Accessories Show;

Atlanta International Gift & Home Furnishings Market;

July Chicago Gift & Home Market;

LA: California Gift Show;

San Francisco International Gift Fair;

New York International Gift Fair;

Seattle Gift Show;

International Hotel/Motel & Restaurant Show – NYC

NeoCon – Chicago

Denver merchandise mart

International restaurant and food service show – NY

New England food service show

International

Maison objet – Paris

Ambiente – Frankfurt

Equip'hotel – Paris

Formex -Sweden

Gave &Interior – Norway

Interior Lifestyle fair/Ambiente – Japan

International Furniture fair – Japan

Japan Shop

Japantex

Lifeinstyle- Australia

Onaris Zurich and Berne

26. Chilewich has created promotional printed to advertise its various products since it began its business in 2000. These promotional packets show pictures of Chilewich's place mats and floor coverings with the Basket Weave Design and ES Designs and many also include sample swatch cards with the textile. More than 200,000 such packets have been distributed.

27. Since the introduction of Chilewich's Basket Weave Design to the marketplace, Chilewich has sold over \$17 million of products with the Basket Weave Design at wholesale, comprising over nine product categories.

28. Since the introduction of Chilewich's ES Design, Chilewich has sold over 325,000 place mats with this design, having a wholesale value of over \$2 million.

29. Chilewich's products, including the various items bearing its Basket Weave Design and its ES Design, are of high quality, and are manufactured in the United States.

30. Chilewich has spent over Two Million Six Hundred Thousand Dollars (\$2,600,000), from 2000 through 2006, in expenditures in promoting its Basket Weave Design and ES Design products, including attending various trade shows and providing promotional materials for these and other products in the Chilewich line.

31. Chilewich has spent \$500,000 on photography and graphic design promoting the Basket Weave Design and ES Design products for brochures and trade shows.

32. As a result of such extensive sales, and associated advertising and promotional activities, and such favorable stories in both the trade and consumer publications, the Basket Weave Design and ES Design place mats, and the Basket Weave Design coasters, runners, floor coverings, floor tiles and floor mats have become distinctive and have acquired significant renown, indicating to the trade and/or to relevant consumers a single source for these items, thereby serving to distinguish these items from competitive items of third parties.

Defendants' Infringing Activities

33. Recently, Chilewich discovered that Defendants were selling place mats with designs that were essentially identical to the Basket Weave Design and the ES Design.

34. In August 2007, at the New York International Gift Fair held at the Jacob Javits Convention Center in New York City, defendant Pacific Merchants displayed and offered for sale, placemats and related products that are essentially identical to Chilewich's Basket Weave Design and its ES Design. Further, defendant Pacific Merchants touted its copycat products as "the same as Chilewich". Upon information and belief, the products were supplied to Pacific Merchants by defendant Mac Fab.

35. Chilewich gave immediate notice to Defendants of their infringing activities by letter dated August 15, 2007, a copy of which is annexed hereto as Exhibit H, which was delivered by hand to defendant Pacific Merchants at the New York International Gift Fair and was also sent to both defendants at their business addresses.

36. Defendant Pacific Merchants' homepage on its website located at <pacificmerchants.com> displays a photograph of a table with place mats that appear similar to Chilewich's table mat designs under a banner entitled "macFABhome". The text on that page states that "we are proud to be the exclusive USA importer and national distributor of macFABhome products!" This page also includes links to the "macFABhome online catalog" of defendant Mac Fab. Copies of printouts of the homepage at <pacificmerchants.com> are annexed hereto as Exhibit I.

37. The macFABhome online catalog includes photographs of placemats, table runners and coasters which are offered for sale and include a number of designs that are virtually identical to and copy Chilewich's Basket Weave Design. Copies of printouts of selected pages from the macFABhome online catalog are annexed hereto as Exhibit J.

38. Upon information and belief, Defendants had access to, and copied, the

Basket Weave Design and the ES Design in “knocking off” and marketing their place mats and related products.

39. Defendants’ place mats and related products have the same overall “look” as Chilewich’s Basket Weave Design products and ES Design place mats.

40. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing Chilewich’s products, including its place mats, and Defendants’ corresponding place mats and related products, would find them strikingly similar and nearly identical in all material respects.

41. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing Chilewich’s products, including its place mats, and Defendants’ corresponding place mats and related products would be confused and would think that Defendants’ items are either the Chilewich items, or that Defendants’ items are endorsed by or sponsored by or licensed by Chilewich.

42. The average purchasers of place mats of modern design, and the trade which has a commercial interest in such products, viewing Defendants’ place mats and related products, at prices in the range of about 46% of the price Chilewich place mats are sold through its retailers, will believe that Chilewich has gone “downstream” to a mass market discounter, and Chilewich will thus lose the carefully nurtured image that it has obtained for its products in general, and its place mats in particular.

COUNT I

(Copyright Infringement)

43. This cause of action arises under the Copyright Laws of the United States, Title 17 United States Code Sec. 101 et seq.

44. Chilewich repeats and realleges the allegations of paragraphs 1-43, as if set forth fully herein.

45. Chilewich's ES Design consists of material which is wholly original and is copyrightable subject matter under the Copyright Laws of the United States, 17 U.S.C. Sec. 101, et seq.

46. Chilewich has previously duly complied with the provisions of the Copyright Laws of the United States, has secured rights and privileges in and to its ES Design, and has duly requested and received from the Register of Copyrights a Certificate of Registration pertaining to said design, identified as "Engineered Squares" Copyright Registration No. VA 1-281-505. A copy of said issued Certificate of Copyright Registration is attached hereto as Exhibit K.

47. All copies of Chilewich's ES Design have been sold and/or used in conformity with the provisions of the Copyright Laws of the United States.

48. Defendants, upon information and belief having full knowledge of the copyright rights of Chilewich in the ES Design as alleged herein, have infringed the aforesaid copyright of Chilewich by manufacturing, publishing, displaying, vending, distributing, selling, promoting and/or advertising place mats and related products with a design containing substantial material copied from Chilewich's ES Design.

49. All of the acts of Defendants as set forth in the preceding paragraphs were undertaken without the permission, license, or consent of Chilewich, and are irreparably damaging Chilewich. Plaintiff has given notice to Defendants of its rights, and Defendants have failed to stop their wrongful activities.

50. The activities of Defendants have diminished and will continue to diminish the inherent value and marketability of Chilewich's ES Design.

51. Chilewich has no adequate remedy at law.

52. Chilewich has been damaged in an amount as yet unknown, but if the infringement continues, Chilewich believes that said damage to its reputation and sales will be in excess of one million (\$1,000,000) dollars.

COUNT II

(Trade Dress Infringement)

53. This cause of action arises under the Lanham Act, 15 U.S.C. §1051 et seq., including 15 U.S.C. §1125.

54. Chilewich repeats and realleges the allegations of paragraphs 1-53, as if set forth fully herein.

55. For seven years, Chilewich has sold and offered for sale distinctive place mats and related products bearing its Basket Weave Design and ES Design. These items have met with considerable success and have engendered considerable and favorable "press".

56. As a result of such sales, and associated advertising and promotional

activities, and such favorable stories in both the trade and consumer publications, the Basket Weave Design and ES Design place mats and related products have become distinctive and have acquired secondary meaning indicating to the trade and/or consumers a single source for these items, thereby serving to distinguish said items from competitive items of third parties. Accordingly, products bearing the Basket Weave Design and the ES Design have acquired a distinctive, non-functional and protectable trade dress.

57. Defendants have appropriated the protectable "look" of Chilewich's Basket Weave Design and ES Design place mats.

58. Defendants, in selling and marketing their products, are likely to cause confusion, mistake or deception in the trade and with the purchasing public as to the source or origin or sponsorship of said items and/or are likely to cause the trade and/or the purchasing public to incorrectly believe that Defendants' items originate with, are endorsed by, or are otherwise associated with Chilewich.

59. The confusion set forth in the preceding paragraph includes, but is not limited to, confusion engendered before sale of Defendants' items (initial interest confusion) in which purchasers and potential purchasers will be drawn to the items in question because of their knowledge of the Chilewich items, and confusion engendered after sale of the items in question (post sale confusion) in which purchasers and prospective purchasers will see Defendants' items as used and mistakenly believe that these items are associated or sponsored by Chilewich.

60. All of the acts of Defendants as set forth in the preceding paragraphs

were undertaken without the permission, license, or consent of Chilewich, and are irreparably damaging Chilewich. Plaintiff has given notice to Defendants of its rights, and Defendants have failed to stop their wrongful activities.

61. The activities of Defendants have diminished and will continue to diminish the inherent value and marketability of Chilewich's Basket Weave Design and ES Design.

62. Chilewich has no adequate remedy at law.

63. Chilewich has been damaged in an amount as yet unknown, but if the infringement continues, Chilewich believes that said damage to its reputation and sales will be in excess of one million (\$1,000,000) dollars.

WHEREFORE, Chilewich demands:

A. That Defendants, their agents, servants, related companies, and all parties in privity with them, be enjoined preliminarily and permanently from infringing the copyrights and trade dress of Chilewich either by selling, advertising, manufacturing, illustrating, publishing, displaying, vending, distributing, offering to sell, shipping, delivering, or promoting place mats or other products that are substantially similar to, or likely to be confused with, Chilewich's Basket Weave Design and ES Design;

B. That Defendants be required to pay Chilewich such damages as Chilewich sustained as a consequence of its infringement and to account for all gains, profits and advantages derived by them from said infringement, and that such award for damages be trebled due to willful and wanton nature thereof;

C. That Defendants be responsible for enhanced statutory damages due to

the willful nature of their infringement;

D. That Defendants pay to Chilewich its costs of this action and Chilewich's reasonable attorneys' fees, as the Court may allow Plaintiff.

E. That Chilewich be granted such other and further relief as the Court may deem just.

JURY DEMAND

Plaintiff demands a trial by jury.

Respectfully submitted,

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Dated: New York, New York
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